

STATE OF CALIFORNIA
Civil Service -Tax Sheltered Annuity/403(b)
SALARY REDUCTION AGREEMENT

Part I.

1. **Authority.** California Government Code Sections 1153 and 12420.2 and United States Internal Revenue Code Section 403(b).
2. **Eligibility.** Current employment in a department listed in California Government Code 12420.2 in a position that meets Internal Revenue Service requirements for participating in Internal Revenue Code Section 403(b) investment plans.
3. **Parties.** The parties to this agreement are:

Department: _____

Institution/

School: _____

hereinafter sometimes referred to as the "Employer", and the following individual, hereinafter sometimes referred to as the "Employee".

Employee Name: _____ **SSN:** _____

4. **Agreement.** The Employer and Employee make this agreement under the terms provided.
5. **Salary Reduction and 403(b) Investment.**
 - A. **Tax Year.** The total amount an Employee can contribute is based on the tax year. A tax year consists of payments and deductions issued from January 1st through December 31st. The State of California's tax year runs from the December pay period (e.g. payments issued beginning January 1st) through the November pay period (e.g. payments issued through December 31st).
 - B. **Minimum Reduction.** The Employee's monthly salary reduction must be at least \$25.00 per company (some companies will require a higher minimum) and no less than \$200 per year.
 - C. **Maximum Reduction.** Internal Revenue Code (IRC) sections 402(g), 403(b) and 415 govern over maximum annual contributions and deferral amounts. The Employee's reduction must comply with these IRC sections and any other applicable IRC sections upon execution, and for the duration, of the agreement as these codes are subject to change. The Employee may qualify for a larger reduction based on calculation of their maximum exclusion allowance, a special election, or a catch-up provision. Participation in another 403(b), 457 or 401(k) plan may impose further limits on the Employee. (Refer to section 10, Elective Deferral Limits and Tax Compliance.)

D. **403(b) Investment.** The State Controller's Office, hereinafter sometimes referred to as the "Controller's Office", has contracts with companies which offer plans that qualify under the provision of IRC section 403(b) (although the Controller's Office and Employer make no warranty of such qualification); these plans are either 403(b) tax sheltered annuities or mutual fund custodial accounts. The Controller's Office or the Employer is not responsible for these plans. From among these plans, the Employee may select up to two companies at one time and the amount of funds that the Employer agrees to remit to the designated company plan(s) on behalf of the Employee. If the Employee invests in more than one company, the total amount contributed to all companies will be used for purposes of tax compliance.

6. **Reduction Change.** This reduction shall continue to be made until such time as this Agreement is terminated by whichever of the following events shall occur first:

A. By termination of Employee's employment in an eligible position, or;

B. By either party giving 30-day advance written notice of termination to the other. Termination by such notice may only be made effective on the first day of the pay period. Notice to the Employer shall be sent to the Employer's Personnel Office or to such other office, as the Personnel Office shall require. Notice to the Employee shall be sent to the Employee's home address or to other such address as designated, or;

C. By Employee filing a new Agreement, or;

D. By the Controller's Office if the company's contract with the Controller's Office is terminated, in which case contributions are discontinued for the company. The Employee may arrange to substitute another company that has a current contract with the Controller's Office, or may terminate participation.

7. **Agreement Changes.** A new Agreement is necessary to increase, decrease or cancel the amount of the salary reduction; to change companies, with or without a change in the amount of the salary reduction; or when the Employee changes position numbers.

The Employee may request a new Agreement no more than once per month. Agreements received by the Controller's Office by the end of the month will be effective with the next pay period. For example, an Agreement received by January 31st will be effective the month of February and reflected on the Employee's March 1st warrant.

8. **Annuities Nonforfeitable.** In compliance with IRC 403(b)(1)(b), annuities purchased under Section 5.D. shall be nonforfeitable except for failure to pay future premiums.

9. **Release of Earnings.** The Employee for him/herself, spouse, heirs, administrators, executors and representatives, hereby releases all rights, present and future, to receive in any form other than payments from the designated company (ies) the amount to be applied as designated in Section 5.

10. Elective Deferral Limits and Tax Compliance.

- A. **Employee Responsibility.** The Employee is responsible for requesting and obtaining computations in connection with the salary reduction pursuant to IRC section 403(b) and regulations thereunder, including amendments which may be made to such codes or regulations or both, subsequent to this Agreement.

The Employee must contact the Company, its designee, or a certified tax consultant to request investment advice. The Employee will provide the Company, its designee, or a certified tax consultant accurate data including total contributions to this and other plans, years of service, and annual income in order for the Company, its designee, or a certified tax consultant to calculate the Employee's annual elective deferral limit and to ensure compliance with federal and state laws affecting the Employee's individual income tax. (Refer to section 5.C. Maximum Reduction.)

Employee agrees to terms of 10.A. Employee Initials _____
(Initial here)

- B. **Employer Responsibility.** The Employer is responsible for ensuring that the Employee has completed a 403(b) Compliance Worksheet indicating that the Employee has consulted with the Company, its designee, or a certified tax consultant and understands their annual elective deferral limit. The Employer or Controller's Office is not responsible for providing investment or tax advice or for determining the Employee's annual elective deferral limit.

- C. **403(b) Compliance Worksheet.** Employees new to the plan must provide the Employer a completed *403(b) Compliance Worksheet* prior to enrollment. If the Employee was enrolled in the plan prior to this requirement, they must submit a worksheet if their existing salary reduction is over the 402(g) limit or if they participate in more than one plan. All Employees who elect to defer more than the 402(g) limit must provide a new worksheet each year by November 1st for every year they defer more than the 402(g) limit. (Refer to section 5.C. Maximum Reduction.)

Employee agrees to terms of section 10.C. Employee Initials _____
(Initial here)

11. **Company Account Required.** The Employee understands and agrees that this Agreement is between the Employee and the Employer and that it does not establish an account with the Company(ies). The Employee assumes the full responsibility for filing appropriate documentation to establish an account with the designated Company. The Employee shall provide proof of the Company-established account to the Employer at the time this Agreement is presented.

If for any reason the Employee's account is not established at the Company(ies) prior to the Controller's Office remitting the Employee's monthly salary reduction, the Company(ies) may return the amount of the salary reduction to the Controller's Office which will be returned to the Employee via payroll. Returned monies are taxable income.

12. Employee Releases Employer and the Controller's Office from Any Damages.

The Employee assumes full responsibility for the tax, processing, and investment consequences resulting from the salary reduction hereby agreed to, and releases the State of California, its employees, agents and successors from any of the calculations or data referred to in Section 10, from selection of company or of any particular plan, from incorrect evaluation of tax-deferred status, processing delays or errors, discontinuance or present legislation effecting such benefits, and from incorrect advice the Employee has received or may receive in the future from the Employer or the Controller's Office, any of their employees or agents, or any other plan respecting the plans and the benefits that may be received as a result of the salary reduction agreement hereby agreed upon.

Employee agrees to terms of section 12. Employee Initials _____

(Initial here)

13. Company Status. The Employee understands and agrees that for the purposes of this Agreement, the Company is not an agent or employee of the State of California, the Employer or the Controller's Office; and, the State of California, the Employer and the Controller's Office are not agents of the Company.

14. Irrevocable Commitments. This Agreement shall be irrevocable with respect to amounts earned while the Agreement is in effect.

15. Processing Fee. The Controller's Office reserves the right to assess the Employee with a processing fee to cover the costs of administering the 403(b) program, including the payroll deduction and investment transactions. The fee is collected through payroll deduction.

TAX SHELTERED ANNUITY (TSA) SALARY REDUCTION REQUEST

Part II. A copy of this page must be submitted to the Controller's Office along with a form STD.650 (Miscellaneous Deduction Change Report) to initiate or modify a salary reduction.

Full name: _____		Address: _____	
Social Security Number: _____ - _____ - _____		_____	
Class Title: _____		_____	
Position Number: Agy _____ Unit _____ Class _____ Serial _____		Home: () _____ - _____	
Time Base: <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time (Hours per week _____)		Work: () _____ - _____ Ext. _____	
Are you currently participating in the TSA program?		YES / NO	
Have you participated in another 403(b), 401(k) or 457 plan in the same tax year?		YES / NO If yes, identify plan: <input type="checkbox"/> 401(k) <input type="checkbox"/> 403(b) <input type="checkbox"/> 457	
Does your Employer have your current home address?		YES / NO If no, complete an Employee Action Request (EAR).	
Current Investments (Complete this section only if modifying an existing agreement. Indicate investments currently in effect and changes to be made.)		New Investments (Complete this section for new investments to be made.)	
1) Full name of Company (Code 040 - _____)		1) Full name of Company (Code 040 - _____)	
_____		_____	
<input type="checkbox"/> CANCEL <input type="checkbox"/> CHANGE AMOUNT <input type="checkbox"/> NO CHANGE		Investment Amount: \$ _____ (minimum \$25)	
Current Amount: \$ _____		New Amount: \$ _____	
2) Full name of Company (Code 040 - _____)		2) Full name of Company (Code 040 - _____)	
_____		_____	
<input type="checkbox"/> CANCEL <input type="checkbox"/> CHANGE AMOUNT <input type="checkbox"/> NO CHANGE		Investment Amount: \$ _____ (minimum \$25)	
Current Amount: \$ _____		New Amount: \$ _____	
TOTAL REDUCTION: The Employer shall reduce each regular monthly installment of the salary due the Employee under the terms of the Employee's appointment by a total reduction amount of \$ _____ beginning with the _____ / _____ pay period. (Month / Year)			
EMPLOYEE	YES / NO I have established an account with the Company(ies) and have shown proof to my Employer.		
CERTIFICATION	YES / NO I have completed a <i>403(b) Compliance Worksheet</i> and provided a copy to my Employer.		
	If yes, check one: <input type="checkbox"/> I am new to the plan <input type="checkbox"/> My reduction exceeds the 402(g) limit <input type="checkbox"/> I contribute to another plan		
	*** I have contributed \$ _____ in total this tax year, prior to this Agreement. ***		

Effect of Agreement Execution. I certify that I have read this complete Agreement (Parts I and II, pages 1 through 4) and that my salary reduction(s) does not exceed contribution limits as determined by applicable Internal Revenue Code. I understand my responsibilities as an Employee under the 403(b)/CSTSA program, and I make application to the Controller's Office for the purchase of a 403(b)-plan contribution and reduction in salary under the terms of this Agreement. I understand that all rights under the annuity(ies) or custodial accounts established by me under the 403(b) program will be enforced solely by me, my beneficiary or my authorized representative.

Employer and Employee agree to the foregoing terms of this Agreement.

Employee	Date	Accepted for	Date
Signature _____	____/____/____	the Employer _____	____/____/____